



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 5/12/2002

GAIN Report #CH2021

China

Grain and Feed

Wheat and Corn Situation Update

2002

U.S. Embassy

Approved by:
John Wade

Prepared by:
John Wade/Zhang Jianping

Report Highlights: Although TRQs for both wheat and corn have been issued, import purchases are very weak due to a combination of market conditions and Government actions. Chinese state-owned trading companies continue to make corn available for export at well below prevailing domestic market prices.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1], CH

Wheat

Although rainfall early in the 2002 winter wheat growing period was poor, more recently moisture has improved. Overall weather should end up more favorable this year than last. This will help yields for wheat some but not all that much. The big reason for recent drops in wheat output has been reduced planted area and to a lesser degree greater restrictions on water available for irrigation. Planted area looks to be off 3-4 percent for the MY 2002 crop and production should be about the same to slightly lower than in MY 2001.

For trade, wheat tariff rate quota's (TRQ) have been allocated, however it seems unlikely that they will have much of an effect on MY 2001 imports. Imports earlier in the year appear to have satisfied most demand for MY 2001. Several purchases have been made for early MY 2002 arrival, however activity is notably sparse under the new TRQ's. Stocks of wheat remain ample in China despite much lower production levels in recent years. Demand for low- and high- protein wheat still cannot be completely met by domestic production, but the government is, with some success, encouraging production of this "high-quality" wheat and will do what it can to control imports so as to help development. With state trading companies controlling 90 percent of the 8.5-9 MMT wheat TRQ, it seems likely that it will remain largely unfilled for this and next year.

For exports, an export subsidy program for some 500,000 MT has pushed up total exports in MY2001. It is unclear however at this time whether China's state exporting companies will continue to make export wheat available in MY2002 at prices below domestic prices. It appears they will for corn, but so far there has been no similar indication for wheat. Some exports of wheat flour should continue, however this should be reduced since use of TRQs will reduce the need to export flour to compensate for wheat brought into China under re-export licenses.

Corn

Early rains mean the planting season should be better this year than last. So, prospects for normal weather remain on track. Much still depends, though, on what happens later in the year. The drought that happened two years ago occurred later in the crop year. So far planting area appears to be near last year's level, although there has been some talk of moving more corn into soybeans because of recent problems soybean imports have been having because of biotech regulations.

For trade, import TRQ's have been issued. However, the Government seems to have a strategy of releasing stocks to forestall imports of corn in MY2001. Big auctions of corn are taking place in Northeast China. In the North China plain, the Government is auctioning off even larger amounts of low-quality wheat which will most likely end up in feed rations. This is keeping prices just high enough to discourage imports. The Government's efforts are aided by a VAT policy that continues to impose a 13 percent VAT on imported corn while effectively eliminating it on nearly all domestic corn used for feed and greatly reducing it for domestic corn used for other purposes. The government has also recently reduced rail transportation costs for all agricultural commodities, and concerns about the new Chinese biotech regulations and the small size of many of the TRQ's allocations (which cannot be traded) is discouraging use of the TRQs as well.

For MY 2002, imports will depend on the stock situation. With large stocks of low-quality wheat

and rice available to buffer corn consumption and the MY 2002 corn crop so far looking as if it will be significantly larger than in MY 2001, it is quite possible that domestic prices can be kept in a range that will greatly limit imports.

For exports, the Chinese state-owned trading companies continue to offer corn for export at prices \$20 to \$30/MT less than prevailing domestic market rates. So, previous hopes that a WTO-entry pledge to eliminate export subsidies would reduce Chinese exports now seem unfounded. In MY 2001, sales so far indicate 6 MMT in exports. With grain stocks likely to remain large in MY 2002, these exports seem set to continue as a measure to protect domestic grain prices.

Tables

PSD Table						
Country	China, Peoples Republic of					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	26650	26650	25200	25000	0	24000
Beginning Stocks	65158	65158	50475	50475	30975	32775
Production	99640	99640	94000	94000	0	94000
TOTAL Mkt. Yr. Imports	195	195	1500	1500	0	2000
Jul-Jun Imports	195	195	1500	1500	0	2000
Jul-Jun Import U.S.	65	65	0	300	0	1000
TOTAL SUPPLY	164993	164993	145975	145975	30975	128775
TOTAL Mkt. Yr. Exports	623	623	1500	1200	0	500
Jul-Jun Exports	623	623	1500	1200	0	500
Feed Dom. Consumption	3500	12000	3500	10000	0	12000
TOTAL Dom. Consumption	113895	113895	113500	112000	0	113000
Ending Stocks	50475	50475	30975	32775	0	15275
TOTAL DISTRIBUTION	164993	164993	145975	145975	0	128775

PSD Table						
Country	China, Peoples Republic of					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		10/2000		10/2001		10/2002
Area Harvested	23056	23056	23500	24000	0	24000
Beginning Stocks	102314	102314	81126	87088	63376	74588
Production	106000	106000	110000	115000	0	125000
TOTAL Mkt. Yr. Imports	88	50	250	500	0	2000
Oct-Sep Imports	88	50	250	500	0	2000
Oct-Sep Import U.S.	0	0	0	0	0	1500
TOTAL SUPPLY	208402	208364	191376	202588	63376	201588
TOTAL Mkt. Yr. Exports	7276	7276	4000	6000	0	4000
Oct-Sep Exports	7276	7276	4000	6000	0	4000
Feed Dom. Consumption	93000	89000	97000	95000	0	102000
TOTAL Dom. Consumption	120000	114000	124000	122000	0	125000
Ending Stocks	81126	87088	63376	74588	0	72588
TOTAL DISTRIBUTION	208402	208364	191376	202588	0	201588

CHINA'S QUARTERLY WHEAT IMPORTS BY ORIGIN, MY 2001/2002

(1,000 Metric Tons)

	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	MY 00/01	% Share
	2001	2001	2002	2002	Year-to-Date	of Total
Canada	45	362	127		534	71.5%
United States	60	54	44		158	21.2%
Australia	5	15	35		55	7.4%
Japan	4	3	3		10	1.3%
Other	8	15	5		28	3.7%
TOTAL	122	449	214		747	100.0%
Source: PRC Customs						
HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000, 1902.1100, 1902.1900, 1902.3030,						
1902.3090, 1902.4000						
(f:\shared\lotus\grnfd\wheat\whtqi1-2.wk4)						

CHINA'S QUARTERLY WHEAT EXPORTS BY ORIGIN, MY 2001/2002 (1,000 Metric Tons)						
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	MY 01/02	% Share
	2001	2001	2002	2002	Year to Date	of Total
South Korea	183	122	162		467	67.9%
Hong Kong	43	38	39		120	17.4%
Indonesia	30	37	34		101	14.7%
Philippines	44	35	16		95	13.8%
North Korea	23	28	25		76	11.0%
Mongolia	13	14	7		34	4.9%
Other	17	23	18		58	8.4%
TOTAL	353	297	301		688	100.0%
Source: PRC Customs						
HS Code: 1001.1000, 1001.9010, 1001.9090, 1101.0000, 1902.1100, 1902.1900, 1902.3030,						
1902.3090, and 1902.4000						
(f:\shared\lotus\grnfd\wheat\whtqe1-2.wk4)						

CHINA'S CORN QUARTERLY IMPORTS BY ORIGIN, MY 2001/02						
(Metric Tons)						
						% Share of
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Total MY	MY Imports
	2001	2002	2002	2002	Year-to-Date	2001/2002
Bonded Areas	4,344	3,415			7,759	63.2%
Vietnam	590	2,394			2,984	24.3%
Myanmar	1,174	252			1,426	11.6%
U.S.	0	0			0	0.0%
Other	101	3			104	0.8%
TOTAL	6,209	6,064			12,273	100.0%
Source: PRC Customs						
HS Code: 1005.1000, 1005.9000						
(f:\shared\lotus\gmfd\corn\crnqi1-2wk4)						

CHINA'S QUARTERLY CORN EXPORTS BY DESTINATION, MY 2001/02					
(Metric Tons)					
	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Total
	2001	2002	2002	2002	Year-to-Date
South Korea	400,765	1,241,660			1,642,425
Malaysia	443,046	501,220			944,266
Indonesia	237,933	79,754			317,687
North Korea	160,751	71,023			231,774
Japan	88,413	44,832			133,245
Bangladesh	65,139	18,897			84,036
Vietnam	6,854	64,674			71,528
Sri Lanka	36,101	13,300			49,401
Hong Kong	20,576	14,931			35,507
Russia	2,000	0			2,000
Thailand	0	200			200
Other	52	0			52
TOTAL	1,461,630	2,100,636			3,562,266
Source: PRC Customs					
HS Codes: 1005.1000 and 1005.9000					
(f:\shared\lotus\gmfd\corn\crnqe1-2.wk4)					

CHINA'S RICE IMPORTS BY ORIGIN, CY 2001 (Metric Tons, Milled Basis)						
					CY 2001	% Share of
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	TOTAL	CY Imports
Thailand	83,863	30,897	55,595	116,879	287,234	99.7%
U.S.	108	0	33	32	173	0.1%
Other	21	346	113	178	658	0.2%
TOTAL	83,992	31,243	55,741	117,089	288,065	100.0%
Source: PRC Customs						
Hs Codes: 1006.1010, 1006.1090, 1006.2000, 1006.3000 & 1006.4000						
(f:\shared\lotus\grmfd\rice\riceqi01.wk4)						

CHINA'S QUARTERLY RICE IMPORTS BY ORIGIN, CY 2002 (Metric Tons, Milled Basis)						
					CY 2002	% Share of
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Year-to-Date	CY Imports
Taiwan	7,000				7,000	87.4%
Thailand	999				999	12.5%
U.S.	0				0	0.0%
Other	7				7	0.1%
TOTAL	8,006				8,006	100.0%
Source: PRC Customs						
Hs Codes: 1006.1011, 1006.1019, 1006.1091, 1006.1099, 1006.2010, 1006.2090, 1006.3010,						
1006.3090, 1006.4010, 1006.4090, 1102.3000, 1102.3010 & 1102.3090						
(f:\shared\lotus\grmfd\rice\riceqi02.wk4)						

CHINA'S QUARTERLY RICE EXPORTS BY DESTINATION , CY 2001 (Metric Tons, Milled Basis)						
					CY Total	% Share of
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	CY Exports
Cote d'Ivoire	161,500	306,067	258,798	171,483	897,848	48.2%
Cuba	42,550	75,833	26,250	51,289	195,922	10.5%
Iraq	46,120	51,602	12,146	0	109,868	5.9%
Japan	52,364	9,857	11,403	32,847	106,471	5.7%
North Korea	5,815	8,925	13,182	60,897	88,819	4.8%
South Korea	6,005	1	0	70,169	76,175	4.1%
Russia	15,256	18,117	19,458	22,854	75,685	4.1%
Libya	0	39,000	22,050	0	61,050	3.3%
Malaysia	6,500	13,000	0	33,358	52,858	2.8%
Togo	0	0	0	50,956	50,956	2.7%
Algeria	0	4,620	16,995	0	21,615	1.2%
Madagascar	15,650	0	3,004	0	18,654	1.0%
Nigeria	0	0	13,000	5,271	18,271	1.0%
Senegal	0	0	17,000	0	17,000	0.9%
Hong Kong	3,966	3,043	3,365	4,213	14,587	0.8%
Guinea	0	18	0	13,751	13,769	0.7%
Mongolia	1,750	1,714	3,313	1,839	8,616	0.5%
Vietnam	0	3,043	169	5,337	8,549	0.5%
Mozambique	5,350	0	0	0	5,350	0.3%
Kazakstan	0	1,560	2,403	575	4,538	0.2%
Myanmar	6	860	200	2,100	3,166	0.2%
United States	204	355	268	309	1,136	0.1%
Ukraine	0	1,000	0	0	1,000	0.1%
Philippines	120	283	421	120	944	0.1%
South Africa	81	187	246	287	801	0.0%
Indonesia	54	56	115	110	335	0.0%
Kenya	18	0	0	20	38	0.0%
Sierra Leone	0	35	0	0	35	0.0%
Other	3,920	634	2,031	1,916	8,501	0.5%
TOTAL	367,229	539,810	425,817	529,701	1,862,557	100.0%
Source: PRC Customs						
HS Codes: 1006.1010, 1006.1090, 1006.2000, 1006.3000 & 1006.4000						
(f:\shared\lotus\grnfd\riceqe01.wk4)						

CHINA'S QUARTERLY RICE EXPORTS BY DESTINATION , CY 2002 (Metric Tons, Milled Basis)						
					CY Total	% Share of
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Year-to-Date	CY Exports
Cote d'Ivoire	112,100				112,100	31.6%
Japan	70,626				70,626	19.9%
Cuba	53,253				53,253	15.0%
Libya	31,498				31,498	8.9%
Nigeria	29,000				29,000	8.2%
Russia	25,098				25,098	7.1%
North Korea	7,912				7,912	2.2%
Malaysia	6,752				6,752	1.9%
Bulgaria	6,013				6,013	1.7%
Hong Kong	3,375				3,375	1.0%
Ukraine	1,500				1,500	0.4%
Mongolia	1,271				1,271	0.4%
Kazakstan	1,073				1,073	0.3%
Vietnam	537				537	0.2%
Myanmar	300				300	0.1%
South Africa	247				247	0.1%
Sierra Leone	242				242	0.1%
Philippines	188				188	0.1%
United States	116				116	0.0%
Indonesia	54				54	0.0%
Algeria	0				0	0.0%
Madagascar	0				0	0.0%
Mozambique	0				0	0.0%
Guinea	0				0	0.0%
Togo	0				0	0.0%
Iraq	0				0	0.0%
Kenya	0				0	0.0%
South Korea	0				0	0.0%
Other	3,242				3,242	0.9%
TOTAL	354,397	0	0	0	354,397	100.0%
Source: PRC Customs						
Hs Codes: 1006.1011, 1006.1019, 1006.1091, 1006.1099, 1006.2010, 1006.2090, 1006.3010,						
1006.3090, 1006.4010, 1006.4090, 1102.3000, 1102.3010 & 1102.3090						
(f:\shared\lotus\grmfd\riceqe01.wk4)						